

**OFFICE OF THE
WASHINGTON STATE LIQUOR CONTROL BOARD**

Business Advisory Council Meeting
January 21, 2009

Welcome and Introductions – Roger Hoen and Lorraine Lee
(See attached Peter Antolin bio)

Persons in attendance:

Lorraine Lee, Roger Hoen, Adam Cook, Susan Danby, Rick Garza, Peter Antolin, Mike Steenhout, Randy Simmons, Mat McLaughlin, Debi Besser, Alan Rathbun, Phil Wayt, TK Bentler, Jean Leonard, Ron Main, Anthony Anton, Gary Hacker

Overview of the Governor's Proposed Budgets for 2009 and 2009-11-
Peter Antolin, Governor's Budget Office

- At conclusion of 2008 legislative session, the combined GFS and Rainy Day Account reserves totaled \$850 million for the current biennium.
- Subsequent revenue forecasts showed decreases totaling \$2.6 billion.
- Last forecast created expected deficit of \$413 million by end of this fiscal year.

(See presentation attachment of additional information)

LCB Budget – Randy Simmons, Administrative Services Director

In the Governor's proposal the LCB will take a 1.9 million budget cut for the current biennium (07-09). Much of this can be achieved by initiating a hiring freeze, travel freeze, and procurement freeze.

Next biennium (09-11) the Governor's budget proposal will cut LCB funding. The LCB is in the process of determining what functions and programs can be discontinued.

The Governor's budget proposal for 09-11 does provide funding for maintenance level items:

- Increases in store lease rates
- Software support to operate the Distribution Center

- Technical refresh for contract liquor stores
- Distribution Center maintenance package

Follow-up Item:

Anthony Anton would like to see our data for on-premise liquor sales. Randy Simmons will provide Anthony Anton the data.

Supplier Social Responsibility Workgroup Survey – Debi Besser, Purchasing Director

Debi shared the proposed SSRW Survey with members. A light version of the survey is also in development to ensure smaller businesses are able to participate at the appropriate level. Categories of the SSRW scorecard include: Underage access, advertising, over-consumption, and good stewardship.

Debi also shared the LCB's supplier scorecard. Different from the social responsibility scorecard, the supplier scorecard is a performance measurement system designed to assist suppliers to be successful in the LCB supply chain. This scorecard is recognized nationally.

(The draft survey and draft interim policy was also shared with the BAC group via email in mid February to seek feedback. See attachments)

8407 Recommendations – Rick Garza

Rick briefed the group on recent activity related to the 8407 Joint Select Committee.

NABCA Board of Director's Meeting – Lorraine Lee

Lorraine attended the NABCA Board of Director's Meeting in early January. Topics of discussion included:

- NABCA issued a statement of concern related to energy drinks.
- NABCA alcohol advertising alert network, similar to a complaint site and can be utilized when states have problems with advertising issues.
- NABCA has created a legislative update to keep state contacts informed on legislative activity throughout the nation.

Recent innovative ideas states are implementing include a gift card program in New Hampshire and the supplier scorecard in our state.

Among all the current control states in the nation, each looks at uniform pricing and licensing differently. This makes it difficult to do comparisons. This is why we need to have good, solid indicators.

NABCA has received an inquiry from a non-control state to move to a control state model. This is a first for NABCA.

Staff Reports -

Business Enterprise – Pat McLaughlin

The LCB has been asked to generate an additional 21.2 Million in revenue by the end of the 09-11 biennium. Ideas the agency is considering to assist in meeting the demand include:

- Open five additional stores
- Open five additional contract stores
- Extend store operating hours
- Open seasonal mall stores
- Expand lottery sales
- Sell liquor related items in state stores
- Implement LCB gift cards

All of these ideas would require rule changes.

Jan Gee commented that there will be major concerns related to expanding lottery sales and selling liquor related items.

Pat Kohler commented that these ideas are related to customer convenience. Our agency has been asked by OFM to brainstorm revenue generating ideas.

Licensing – Alan Rathbun

Alan updated the group on proposed changes to the price filing system.

The agency has received a grant from the Washington Traffic Safety Commission to produce a training video for MAST trainers and create a

guidebook for retailers. A distribution of the guidebooks will go out to all licensed grocery stores in the state. A Korean version of the guidebook will be provided to all Korean grocers. The books will be mailed by the end of March.

The Seattle Alcohol Impact Area revised products list will become effective on March 1, 2009 and an agreement is established between retailers and distributors to limit sale of singles between specified hours of the day.

Enforcement – Pat Parmer

The division recently had new officers graduate from the academy. Pat shared the various standards for becoming an Enforcement Officer. In addition the recent implementation of a Hearings Officer has added much value to the division and the agency's adjudicative proceedings.

The wine sampling pilot in random select grocery stores has been a success. The division is auditing and monitoring the sampling. The Metropolitan Market stores in Proctor and Dash Point (Tacoma area) are videotaping the events.

Jan Gee commented she is getting excellent reports on the pilots and wine sales have increased. Grocers are excited about the results.

Roundtable

December sales for the Grocers Association and Restaurant Association are down. The Restaurant Association is anticipating layoffs in future months.

The LCB is reporting a 3% increase in gross sales for December 2008. Liter sales went up by 2%.

Susan Danby expressed concerns related to LCB gift cards being used at a contract liquor store. What will the accounting process be?

Anthony Anton commented that the Washington Restaurant Association is looking into an In-house training program similar to MAST.

The Board Members will decide on a new lead for the next BAC Meeting.

The BAC 2009 meeting schedule:

- Move April 22nd meeting to April 29, 2009
- July 22, 2009
- October 21, 2009

Meeting was adjourned at 2:15 PM